



VILLAGE OF ROSEBUSH
Isabella County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended June 30, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Rosebush	County Isabella
Audit Date June 30, 2005	Opinion Date October 21, 2005	Date Accountant Report Submitted to State: December 13, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

VILLAGE OF ROSEBUSH
Isabella County, Michigan

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INDEPENDENT AUDITOR'S REPORT

October 21, 2005

To the Village Council
Village of Rosebush
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Village of Rosebush, Isabella County, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Rosebush's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village of Rosebush, Isabella County, Michigan as of June 30, 2005, and the respective changes in financial position and cash flows where applicable of these activities and funds, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

VILLAGE OF ROSEBUSH
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2005

The Management's Discussion and Analysis report of the Village of Rosebush covers the Village's financial performance during the year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets at June 30, 2005, totaled \$392,139.86 for governmental activities and \$242,745.60 for business-type activities.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental and business-type activities. These include the General Fund, the Major Street Fund, the Local Street Fund and the Sewer Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended June 30, 2005

FUND FINANCIAL STATEMENTS (continued)

The Village has the following types of funds:

Governmental Funds: Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund, and the Local Street Fund.

Proprietary Funds: The Village has a Sewer Fund which is reported as a proprietary fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net assets for governmental and business-type activities increased by \$38,875.42 for the fiscal year ended June 30, 2005.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

General Fund: This fund is used to record all activities of the Village not required to be in a separate fund. This would include building and grounds, legislative, administrative and elections. The major source of revenue for the general fund is from the Village tax base and the revenue sharing from the State of Michigan.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Village of Rosebush had no capital asset activity during the fiscal year ended June 30, 2005.

The Village of Rosebush had no long-term debt activity during the fiscal year ended June 30, 2005.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Village does not have any known factors affecting future operations.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to demonstrate the accountability for the revenues it receives. If you have any questions concerning this report please contact the Village Treasurer by calling (989) 433-5845.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash in bank	367 868 97	187 782 91	555 651 88
Due from State of Michigan	10 052 78	-	10 052 78
Accounts receivable	-	11 589 51	11 589 51
Internal balances	165 11	(165 11)	-
Total Current Assets	378 086 86	199 207 31	577 294 17
NON-CURRENT ASSETS:			
Capital Assets	29 254 00	564 017 45	593 271 45
Less: Accumulated Depreciation	(15 201 00)	(520 479 16)	(535 680 16)
Total Non-current Assets	14 053 00	43 538 29	57 591 29
TOTAL ASSETS	392 139 86	242 745 60	634 885 46
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES	-	-	-
Total Current Liabilities	-	-	-
NON-CURRENT LIABILITIES:	-	-	-
Total Non-current Liabilities	-	-	-
Total Liabilities	-	-	-
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	14 053 00	43 538 29	57 591 29
Unrestricted	378 086 86	199 207 31	577 294 17
Total Net Assets	392 139 86	242 745 60	634 885 46
TOTAL LIABILITIES AND NET ASSETS	392 139 86	242 745 60	634 885 46

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended June 30, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	1 658 38	-	(1 658 38)
General government	23 618 48	200 00	(23 418 48)
Public safety	6 379 64	-	(6 379 64)
Public works	<u>44 119 48</u>	<u>17 897 88</u>	<u>(26 221 60)</u>
Total Governmental Activities	<u>75 775 98</u>	<u>18 097 88</u>	<u>(57 678 10)</u>
Business-Type Activities:			
Sewer	<u>43 409 09</u>	<u>50 450 71</u>	<u>-</u>
Total Business-Type Activities	<u>43 409 09</u>	<u>50 450 71</u>	<u>-</u>
Total Government	<u>119 185 07</u>	<u>68 548 59</u>	<u>(57 678 10)</u>
General Revenues:			
Property taxes			19 546 73
State revenue sharing			65 174 24
Interest			3 108 16
Miscellaneous			<u>177 99</u>
Total General Revenues			<u>88 007 12</u>
Change in net assets			30 329 02
Net assets, beginning of year			<u>361 810 84</u>
Net Assets, End of Year			<u>392 139 86</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	165 694 50	172 220 82	29 953 65	367 868 97
Due from State of Michigan	4 156 00	4 775 53	1 121 25	10 052 78
Due from other funds	<u>165 11</u>	<u>257 28</u>	<u>226 62</u>	<u>649 01</u>
Total Assets	<u>170 015 61</u>	<u>177 253 63</u>	<u>31 301 52</u>	<u>378 570 76</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	<u>483 90</u>	<u>-</u>	<u>-</u>	<u>483 90</u>
Total liabilities	<u>483 90</u>	<u>-</u>	<u>-</u>	<u>483 90</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>169 531 71</u>	<u>177 253 63</u>	<u>31 301 52</u>	<u>378 086 86</u>
Total fund equity	<u>169 531 71</u>	<u>177 253 63</u>	<u>31 301 52</u>	<u>378 086 86</u>
Total Liabilities and Fund Equity	<u>170 015 61</u>	<u>177 253 63</u>	<u>31 301 52</u>	<u>378 570 76</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	378 086 86
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	29 254 00
Accumulated depreciation	<u>(15 201 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>392 139 86</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(1 658 38)
-	(23 418 48)
-	(6 379 64)
-	(26 221 60)
-	(57 678 10)
<u>7 041 62</u>	<u>7 041 62</u>
<u>7 041 62</u>	<u>7 041 62</u>
<u>7 041 62</u>	<u>(50 636 48)</u>
-	19 546 73
-	65 174 24
1 504 78	4 612 94
-	177 99
<u>1 504 78</u>	<u>89 511 90</u>
8 546 40	38 875 42
<u>234 199 20</u>	<u>596 010 04</u>
<u>242 745 60</u>	<u>634 885 46</u>

VILLAGE OF ROSEBUSH
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended June 30, 2005

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Revenues:				
Property taxes	19 546 73	-	-	19 546 73
State revenue sharing	28 719 00	29 524 21	6 931 03	65 174 24
Interest	1 525 77	1 473 11	109 28	3 108 16
Rents	200 00	-	-	200 00
Special assessments	17 897 88	-	-	17 897 88
Miscellaneous	<u>177 99</u>	<u>-</u>	<u>-</u>	<u>177 99</u>
Total revenues	<u>68 067 37</u>	<u>30 997 32</u>	<u>7 040 31</u>	<u>106 105 00</u>
Expenditures:				
Legislative:				
Village Council	1 658 38	-	-	1 658 38
General government:				
President	625 27	-	-	625 27
Elections	559 20	-	-	559 20
Accounting	3 920 00	-	-	3 920 00
Attorney	2 949 80	-	-	2 949 80
Clerk	2 503 15	-	-	2 503 15
Treasurer	3 010 99	-	-	3 010 99
Village hall and grounds	6 612 62	-	-	6 612 62
Unallocated	1 979 45	-	-	1 979 45
Public safety:				
Fire protection	6 379 64	-	-	6 379 64
Public works:				
Highways and streets	-	14 651 06	7 984 06	22 635 12
Street lighting	4 463 10	-	-	4 463 10
Sanitation	<u>17 021 26</u>	<u>-</u>	<u>-</u>	<u>17 021 26</u>
Total expenditures	<u>51 682 86</u>	<u>14 651 06</u>	<u>7 984 06</u>	<u>74 317 98</u>
Excess (deficiency) of revenues over expenditures	16 384 51	16 346 26	(943 75)	31 787 02
Fund balances, July 1	<u>153 147 20</u>	<u>160 907 37</u>	<u>32 245 27</u>	<u>346 299 84</u>
Fund Balances, June 30	<u>169 531 71</u>	<u>177 253 63</u>	<u>31 301 52</u>	<u>378 086 86</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended June 30, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 31 787 02

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(1 458 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>30 329 02</u></u>
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The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS
June 30, 2005

	<u>Sewer Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	187 782 91
Accounts receivable	<u>11 589 51</u>
Total Current Assets	<u>199 372 42</u>
NON-CURRENT ASSETS:	
Capital Assets	564 017 45
Less: Accumulated Depreciation	<u>(520 479 16)</u>
Total Non-current Assets	<u>43 538 29</u>
TOTAL ASSETS	<u>242 910 71</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Due to other funds	<u>165 11</u>
Total Current Liabilities	<u>165 11</u>
Total Liabilities	<u>165 11</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	43 538 29
Unrestricted	<u>199 207 31</u>
Total Net Assets	<u>242 745 60</u>
TOTAL LIABILITIES AND NET ASSETS	<u>242 910 71</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
BUSINESS-TYPE FUNDS
Year ended June 30, 2005

	<u>Sewer Fund</u>
OPERATING REVENUES:	
Charges for Services:	
Service charges	<u>50 450 71</u>
Total Operating Revenues	<u>50 450 71</u>
OPERATING EXPENSES:	
Salaries and wages	7 572 04
Operating supplies	353 13
Contracted services	22 278 58
Utilities	1 719 13
Repairs and maintenance	7 699 74
Miscellaneous	<u>2 533 87</u>
Total Operating Expenses	<u>42 156 49</u>
Operating Income (loss) before depreciation	8 294 22
Less: depreciation	<u>(1 252 60)</u>
Operating income (loss)	<u>7 041 62</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	<u>1 504 78</u>
Total Non-operating Expenses	<u>1 504 78</u>
Change in net assets	8 546 40
Net assets, beginning of year	<u>234 199 20</u>
Net Assets, End of Year	<u><u>242 745 60</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS
Year ended June 30, 2005

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	50 361 62
Cash payments to suppliers for goods and services	(38 994 45)
Cash payments to employees for services	<u>(7 572 04)</u>
Net cash provided (used) by operating activities	<u>3 795 13</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>1 504 78</u>
Net cash provided (used) by investing activities	<u>1 504 78</u>
Net increase (decrease) in cash	5 299 91
Cash beginning of year	<u>182 483 00</u>
Cash End of Year	<u><u>187 782 91</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	7 041 62
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	1 252 60
(Increase) decrease in receivables	(89 09)
(Increase) decrease in payables	<u>(4 410 00)</u>
Net Cash Provided (Used) in Operating Activities	<u><u>3 795 13</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Village of Rosebush, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Village contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches.

The reporting entity is the Village of Rosebush. The Village is governed by an elected Village Council. As required by generally accepted accounting principles, these financial statements present the Village as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Village 2004 tax roll millage rate was 3.00 mills, and the taxable value was \$6,515,800.00.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Village as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Furniture and equipment	3-5 years

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective July 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Village's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$14,053.00.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>555,651.88</u>

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 3 – Deposits and Investments

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>455 651 88</u>
Total Deposits	<u><u>555 651 88</u></u>

The Village of Rosebush did not have any investments as of June 30, 2005.

Note 4 – Capital Assets

Capital asset activity of the Village's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 7/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/05</u>
<u>Governmental Activities:</u>				
Buildings	23 771 00	-	-	23 771 00
Equipment	<u>5 483 00</u>	<u>-</u>	<u>-</u>	<u>5 483 00</u>
Total	29 254 00	-	-	29 254 00
Accumulated Depreciation	<u>(13 743 00)</u>	<u>(1 458 00)</u>	<u>-</u>	<u>(15 201 00)</u>
Net Governmental Capital Assets	<u><u>15 511 00</u></u>	<u><u>(1 458 00)</u></u>	<u>-</u>	<u><u>14 053 00</u></u>
<u>Business-Type Activities:</u>				
Sewer Systems	564 017 45	-	-	564 017 45
Accumulated Depreciation	<u>(519 226 56)</u>	<u>(1 252 60)</u>	<u>-</u>	<u>(520 479 16)</u>
Net Business-Type Capital Assets	<u><u>44 790 89</u></u>	<u><u>(1 252 60)</u></u>	<u>-</u>	<u><u>43 538 29</u></u>

Note 5 – Deferred Compensation Plan

The Village does not have a deferred compensation plan.

Note 6 – Retirement Plan

The Village does not have a retirement plan.

Note 7 – Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF ROSEBUSH
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 8 – Building Permits

The Village does not issue building permits.

Note 9 – Segment Information for Enterprise Funds

The Village maintains one Enterprise Fund which provides sewer services. Segment information for the year ended June 30, 2005, is as follows:

	<u>Sewer Fund</u>
Operating revenues	50 450 71
Depreciation expense	1 252 60
Change in net assets	8 546 40
Net working capital	199 207 31
Net assets	242 745 60

Note 10 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	165 11	Sewer	165 11
Major Street	257 28	General	257 28
Local Street	<u>226 62</u>	General	<u>226 62</u>
Total	<u>649 01</u>	Total	<u>649 01</u>

VILLAGE OF ROSEBUSH
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	28 200 00	28 200 00	19 546 73	(8 653 27)
State revenue sharing	35 000 00	35 000 00	28 719 00	(6 281 00)
Interest	3 000 00	3 000 00	1 525 77	(1 474 23)
Rents	1 000 00	1 000 00	200 00	(800 00)
Special assessments	19 000 00	19 000 00	17 897 88	(1 102 12)
Miscellaneous	2 900 00	2 900 00	177 99	(2 722 01)
Total revenues	89 100 00	89 100 00	68 067 37	(21 032 63)
Expenditures:				
Legislative:				
Village Council	3 500 00	3 500 00	1 658 38	(1 841 62)
General government:				
President	1 000 00	1 000 00	625 27	(374 73)
Elections	1 500 00	1 500 00	559 20	(940 80)
Accounting	4 000 00	4 000 00	3 920 00	(80 00)
Attorney	15 000 00	15 000 00	2 949 80	(12 050 20)
Clerk	4 100 00	4 100 00	2 503 15	(1 596 85)
Treasurer	4 100 00	4 100 00	3 010 99	(1 089 01)
Village hall and grounds	9 000 00	9 000 00	6 612 62	(2 387 38)
Unallocated	14 900 00	14 900 00	1 979 45	(12 920 55)
Public safety:				
Fire protection	7 000 00	7 000 00	6 379 64	(620 36)
Public works:				
Street lighting	6 000 00	6 000 00	4 463 10	(1 536 90)
Sanitation	19 000 00	19 000 00	17 021 26	(1 978 74)
Total expenditures	89 100 00	89 100 00	51 682 86	(37 417 14)
Excess of revenues over expenditures	-	-	16 384 51	16 384 51
Fund balance, July 1	-	-	153 147 20	153 147 20
Fund Balance, June 30	-	-	169 531 71	169 531 71

VILLAGE OF ROSEBUSH
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – MAJOR STREET FUND
Year ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
State revenue sharing	30 000 00	30 000 00	29 524 21	(475 79)
Interest	<u>4 000 00</u>	<u>4 000 00</u>	<u>1 473 11</u>	<u>(2 526 89)</u>
Total revenues	<u>34 000 00</u>	<u>34 000 00</u>	<u>30 997 32</u>	<u>(3 002 68)</u>
Expenditures:				
Public works:				
Highways and streets	<u>34 000 00</u>	<u>34 000 00</u>	<u>14 651 06</u>	<u>(19 348 94)</u>
Total expenditures	<u>34 000 00</u>	<u>34 000 00</u>	<u>14 651 06</u>	<u>(19 348 94)</u>
Excess of revenues over expenditures	-	-	16 346 26	16 346 26
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>160 907 37</u>	<u>160 907 37</u>
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>177 253 63</u>	<u>177 253 63</u>

VILLAGE OF ROSEBUSH
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – LOCAL STREET FUND
Year ended June 30, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
State revenue sharing	7 800 00	7 800 00	6 931 03	(868 97)
Interest	850 00	850 00	109 28	(740 72)
Miscellaneous	<u>1 500 00</u>	<u>1 500 00</u>	<u>-</u>	<u>(1 500 00)</u>
Total revenues	<u>10 150 00</u>	<u>10 150 00</u>	<u>7 040 31</u>	<u>(3 109 69)</u>
Expenditures:				
Public works:				
Highways and streets	<u>10 150 00</u>	<u>10 150 00</u>	<u>7 984 06</u>	<u>(2 165 94)</u>
Total expenditures	<u>10 150 00</u>	<u>10 150 00</u>	<u>7 984 06</u>	<u>(2 165 94)</u>
Excess (deficiency) of revenues over expenditures	-	-	(943 75)	(943 75)
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>32 245 27</u>	<u>32 245 27</u>
Fund Balance, June 30	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>31 301 52</u></u>	<u><u>31 301 52</u></u>

VILLAGE OF ROSEBUSH
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended June 30, 2005

Village Council:	
Salary	1 600 00
Miscellaneous	58 38
	<u>1 658 38</u>
President:	
Salary	600 00
Supplies	25 27
	<u>625 27</u>
Elections	<u>559 20</u>
Accounting	<u>3 920 00</u>
Attorney	<u>2 949 80</u>
Clerk:	
Salary	2 376 00
Office supplies	66 99
Postage	60 16
	<u>2 503 15</u>
Treasurer:	
Salary	2 700 00
Postage	152 42
Office supplies	37 61
Miscellaneous	120 96
	<u>3 010 99</u>
Village hall and grounds:	
Contracted services	760 00
Utilities	1 554 06
Insurance	3 716 00
Miscellaneous	582 56
	<u>6 612 62</u>
Unallocated:	
Community promotion	447 48
Social security	410 38
Miscellaneous	1 121 59
	<u>1 979 45</u>
Fire protection	<u>6 379 64</u>
Street lighting	<u>4 463 10</u>
Sanitation	<u>17 021 26</u>
Total Expenditures	<u><u>51 682 86</u></u>

CAMPBELL, KUSTERER & CO., P.C.

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 21, 2005

To the Village Council
Village of Rosebush
Isabella County, Michigan

We have audited the financial statements of the Village of Rosebush for the year ended June 30, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Village of Rosebush in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Village Council
Village of Rosebush
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended June 30, 2004. The implementation of this pronouncement for the Village of Rosebush began with the year ended June 30, 2005. The daily operations and recording transactions did not change significantly, however, the Village is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Village's financial statements and this communication of these matters does not affect our report on the Village's financial statements, dated June 30, 2005.

To the Village Council
Village of Rosebush
Isabella County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants